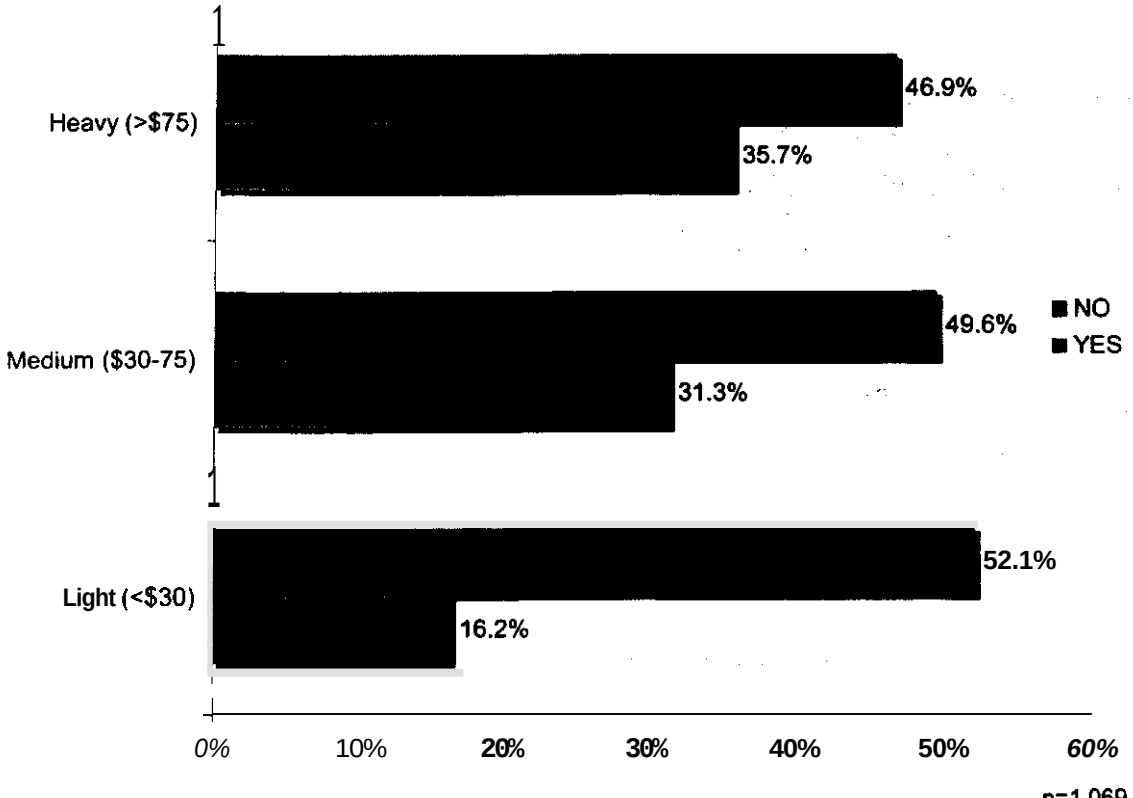
Monthly Wireless Spending

- The **2005** survey showed a distinct correlation between monthly average wireless bill and likelihood to substitute wireless for landline. (Monthly wireless spending includes voice and data services.) Heavy users of wireless were much more inclined to consider substitution (by a factor of two) than light users.

- Again, increasing familiarity with wireless infers willingness to substitute. Carriers can respond by focusing their marketing efforts on the highest-usage customers.

Figure 19. Monthly Wireless Spending: Likelihood to Replace Landline with a Wireless Phone



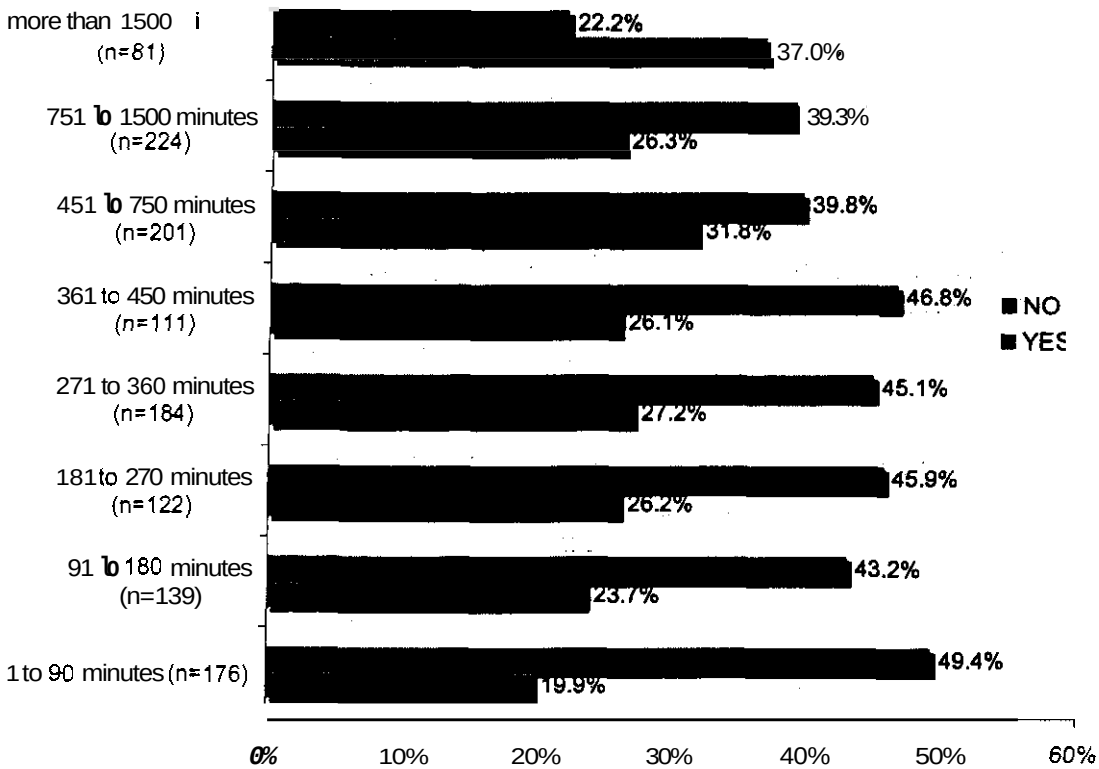
Note: "Don't Know" represents balance of responses
Source: In-Stat. 9/05

Minutes of Use

Respondents who use **their wireless phones heavily (>1500 minutes per month) are much more inclined** to **consider substitution, by a factor of** two **compared to light users (<90 minutes per month). This correlates with the findings above in "Monthly Wireless Spending," and "Personal and Business** Use."

Figure 20. Minutes of Use: Likelihood to Replace **Landline** with a Wireless Phone

Would you consider replacing your landline phone with a wireless phone?
(Base: Has both landline and wireless phone)



Note: "Don't Know' represents balance of responses
n=1,238
Source: In-Slat, 9/05

Interest in Advanced Features

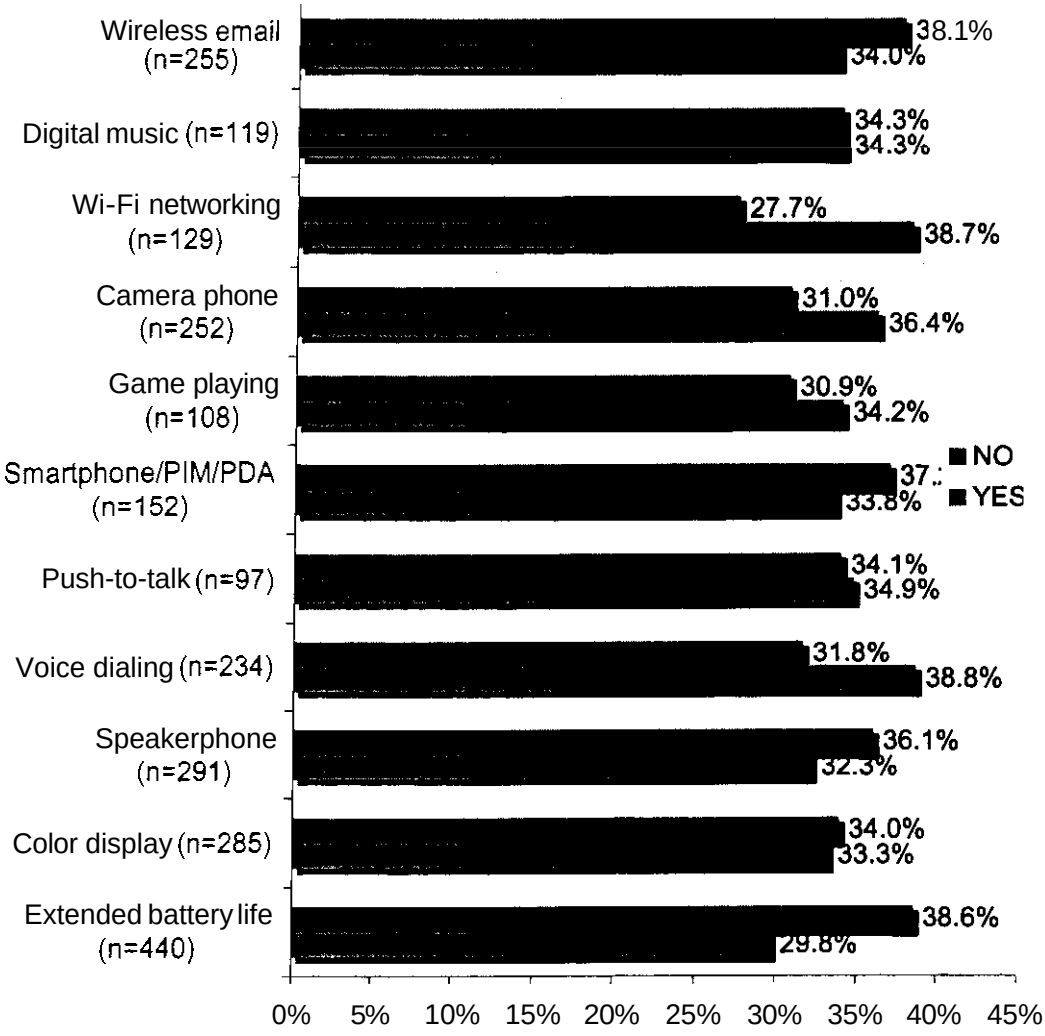
Respondents were asked if they were "willing to spend more on your next wireless phone for **any** of the following features." Respondents who expressed interest in advanced features expressed more interest than average in replacing their landline with wireless.

Respondents with an interest in wireless email, digital music, Wi-Fi networking, camera phones, push-to-talk, and game playing were much more interested than average in replacing their landline with wireless.

These results correlate with earlier results regarding monthly spending. More active customers are more likely to substitute. Besides focusing marketing efforts on such customers, carriers can encourage adoption of advanced features **to** lead up to eventual substitution.

Figure 21. Interest in Advanced Features: Likelihood to Replace **Landline** with a Wireless Phone

Would you consider replacing your **landline** phone with a wireless phone?
(Base: plans to purchase a new wireless phone in the next two years.)



Note: "Don't Know" represents balance of responses. n=853
Source: In-Stat, 9/05

Technology Enablers

Respondents to the survey indicated three main motivations for substituting wireless for their landline, and three main concerns that prevent them from substituting.

The three motivations summarize as follows: (1) cost savings compared to landline, (2) flat-rate calling plans (which offer control of cost), and (3) number portability.

The three top concerns were: (1) voice quality, (2) in-building coverage, and (3) perceived need for a landline phone to operate data equipment.

Convenience was less of a motivator for consumers considering substitution. The inherent advantages of wireless (mobility, calling plans with free long distance, phones with built-in address books, etc) seem to be motivation enough, and, to a certain extent, taken for granted. Instead, consumers seem to be looking for wireless to approach the in-building reliability of landline, and the standard connectivity of an analog phone jack.

Because cost savings are a large component of consumers' motivation to substitute wireless for landline, it follows that at least some of those consumers would prefer not to retain their landline if they did not have to. In other words, the survey results suggest that some consumers would appreciate a *complete* substitution scenario, rather than a scenario where they would end up paying monthly service charges on a landline phone strictly used for "backup" (a hedge against wireless outages or poor voice quality) or for connected devices in the home (set-top boxes, alarm systems, etc.)

In short, the survey results suggest **two** primary areas in which technology solutions could help increase substitution:

- For all consumers, devices that improve in-building coverage. This would primarily include in-building signal boosters and repeaters (not cheap "patch" antennas which do little to nothing).
- For consumers who want total substitution, technology that allows connection of data devices (which formerly required an analog landline phone jack) to **the** wireless phone, or which replaces the need for analog devices altogether.

In-Building Coverage

In-building signal boosters are designed to provide additional signal strength in areas where the non-boosted signal would be adequate if there were no obstacles in the radio path. Unlike repeaters, boosters do not demodulate the radio signals.

As a result, signal boosters are more compact, less expensive, and use less power than repeaters. However, repeaters offer more robust capabilities and are typically the choice for larger indoor areas.

- Companies such as CellAntenna and Wireless Extenders offer "consumer-grade" boosters and repeaters for as little as $300. The efficacy of these products varies considerably, and their current prices would make carrier subsidization difficult to justify.

- Viable (affordable, practical, and cost-effective) in-building signal boosting or repeating technology would be a boon to carriers who want to encourage substitution, particularly as the technology price point came down.

- Carriers should partner with manufacturers to bring such technologies to consumers, and combine the offer of this technology into a package with number porting, and a flat-rate calling plan.

Analog Data Devices

Numerous in-home devices require analog jacks to the telephone network. These include security systems, set-top boxes, and fax machines. A total substitution of wireless for landline would require some alternate method to connect these devices to dial tone.

Such devices exist today, in a variety of forms.

- An example is the Cisco ATA 186 Analog Telephone Adapter, which connects analog devices to Ethernet (not found in the majority of homes today). Devices such as this connect analog devices to an IP network, similar to Voice Over IP (VoIP).

- For alarm systems, services such as Uplink (by CellemetryXG) offer a wireless alternative to traditional analog phone lines (for additional information about wireless telemetry alternatives, please see IN0502028MBD, Wireless *Telemetry Services* for *U.S. Businesses,* October, 2005)

- For faxing, other solutions are gaining speed, including Internet faxing (eFax et al), and email of PDF documents.

A single wireless device to replace analog phone lines in a variety of locations around the home would probably not be practical for wireless carriers to provide. It would be difficult to provide dial tone emulation at all the locations needed within a house, over wireless, at a realistic price point.

Instead, carriers may be better off letting consumers adopt their own technology replacements for their legacy analog devices. A trend has already developed in this direction. Most notably, VoIP services emulate dial tone for devices that require it, such as faxes. VoIP is becoming widely available through cable companies and independent operators, such as Vonage, TimeWarner "Digital Phone," and Cablevision's "Optimum Voice" services.

- Total replacement of landline by wireless is only sought by some customers that are particularly price sensitive. Those who are willing to retain a landline (with basic service) for their analog devices, while switching the bulk of their voice usage to wireless, will not have an issue of replacing dial tone for analog devices.

- Customers who do retain their landlines can find that using wireless for voice can still be a financial "win." Wireless typically provides free long distance, free voice mail, and other services for which they may have been paying on landline.

- Customers who object to the loss of their DSL line (a barrier named by 34.5% of respondents who said they would not consider substituting wireless for landline) often have viable options for Internet service, including cable and wireless. Therefore, increasing availability of broadband Internet service in the home can be considered an enabling factor that will reduce barriers to wireless substitution.

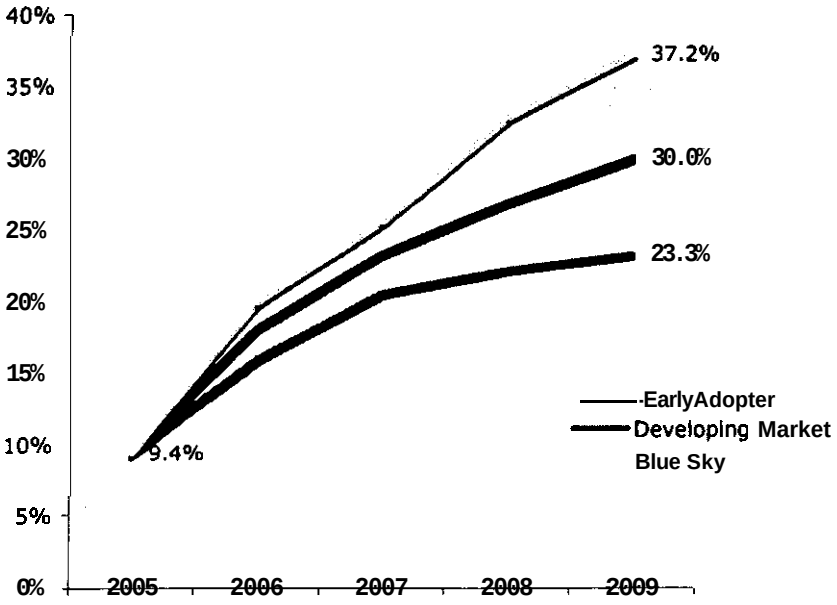
- Given a lack of a single "magic bullet'' technology to replace dial tone for all legacy devices that require it, carrier strategies should focus on educating customers about the financial and practical advantages of substitution, as well as educating customers about alternative technologies that can replace the need for dial tone.

Wireless Substitution Forecasts

The survey results reveal that several traditional demographic segmentations have little or no impact on the customer's willingness to substitute wireless for landline. For example, customer age, gender, marital status, residence location, education level, and size of household were not effective determinants for forecasting purposes.

However, non-demographic profiles such as minutes of use, monthly wireless spending, and interest in advance wireless features were strongly related to interest in substitution. This suggests that interest in substitution is a matter of personality and job commitments more than it is a matter of demographic profiles. In short, the self-reported interest in substitution is the best and primary guideline available for forecasting purposes.

Figure 22. Wireless Substitution Forecast, 2005–2009



Source: In-Stat. 9/05

Adding secondary research to the survey results, In-Stat has modeled forecasts for wireless substitution under three different scenarios:

- Early Adoption Forecast. In this forecast, we have accounted for conservative growth based on known existing adoption rates and results from this survey, extrapolated in a nearly straight line. This forecast assumes that no significant technology or market events occur which would improve the current rate of wireless substitution. It also assumes a decline in adoption after 12 months, based on the "early adopter" phase ending and not being replaced by a growth market.

- Developing Market Forecast. This forecast accounts for the factors above, and extrapolates the likely impact of improving technology (both in wireless and supporting/enabling technologies such as broadband Internet access in households). It also assumes that youth (who are largely presently undecided about substitution) will adopt wireless as their primary phone in large numbers. Thus, this forecast presents a view of a market that has successfully gone beyond the "early adopter" stage and is continuing to develop.

- Blue Sky Forecast. This forecast models the potential impact of all the factors above with additional factors added which could occur in an ideal situation. These include decreasing cost of flat-rate wireless plans, a more rapid take-up of broadband Internet in US households, and that a significant number of customers who are presently "somewhat interested" will eventually substitute. It also assumes that no disruptive technologies or events (such as regulation) occur that could slow adoption.

All three scenarios show a significant increase in wireless substitution in the US over the four-year period from 2005 to 2009, ultimately ranging from 23.2% to 37.2% by 2009.

Early Adoption Forecast

The Early Adoption Forecast is the most conservative. Because it does not account for growth drivers that are likely to occur (which are accounted for in the following **two** forecasts), it should be regarded as a "worst-case'' scenario for wireless substitution.

This forecast assumes that no significant technology or market events occur which would improve the current rate of wireless substitution. Key elements accounted for in the forecast include:

- Current levels of wireless substitution (baseline).

- Customers who are "very interested" in substituting wireless for landline in the next **12** months.

- Growth in overall wireless subscribers.

- Moderate improvements in network coverage, capacity, and quality-of-service, in addition to a moderate improvement in customer service.

- Potential competition from VoIP.

Table 2. US Wireless Substitution Forecast—Early Adoption

US Wireless Substitution Forecast (thousands) Early Adoption	2005 Est.	2006 Fcst	2007 Fcst	2008 Fcst	2009 Fcst
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change (%)		-2.7%	-2.7%	-2.8%	-2.3%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change (%)		7.1%	6.4%	5.2%	4.9%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change (%)		82.5%	37.4%	13.8%	9.9%
% of Subscribers who are wireless-only	9.4%	15.9%	20.6%	22.3%	23.3%

Source: In-Stat. 9/05

Developing Market Forecast

The Developing Market Forecast assumes that early adopters are signed up in the coming year as expected, and that the market further develops so that other non-early adopters are able to see the justification for substitution, and do so.

Factors that could stimulate wireless substitution faster than the Early Adopter Forecast, resulting in up to 31.9% of mobile subscribers using their wireless phone as their only telephone in 2009, are:

- An increasing adoption rate among young wireless customers to the exclusion of obtaining traditional landline phones.
- Improving technology that enables wireless substitution among homeowners, primarily including expanded cable Internet access.
- Increasing interest in advanced wireless features, adoption of which correlates strongly to interest in substitution.
- Continued moderate declines in flat-rate wireless usage plans.
- Accelerated improvement of network coverage, reliability, and quality-of-service. These improvements could be achieved by a stronger-than-expected capital investment in carrier networks.

Table 3. **US** Wireless Substitution Forecast—Developing Market

US Wireless Substitution Forecast (thousands) Developing Market	2005 Est.	2006 Fcst	2007 Fcst	2008 Fcst	2009 Fcst
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change (%)		-2.7%	-2.7%	-2.8%	-2.3%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change (%)		7.1%	6.4%	5.2%	4.9%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change (%)		107.7%	37.0%	21.6%	16.7%
% of Subscribers who are wireless-only	9.4%	18.1%	23.3%	27.0%	30.0%

Source: In-Stat. 9/05

Blue Sky Forecast

The "Blue Sky" forecast models the potential impact of all the factors in the earlier forecasts, with additional factors added which could occur in an ideal situation. This gives us a picture of the ''best-case" scenario or, practically speaking, the upper limit of wireless substitution during the forecast period.

This forecast assumes that all the major barriers to substitution named by respondents in the survey have been addressed. Key drivers of this forecast include:

- More rapid than expected decreases in the cost of flat-rate wireless plans for consumers.
- More rapid than expected availability of broadband Internet in US households.
- Very high rates of adoption during the forecast period by youth, and wireless consumers who presently rate themselves as "somewhat interested" in substitution.
- Carriers actively lead marketing and education efforts to encourage substitution.
- No disruptive technologies or events that could slow substitution (including regulatory barriers, drastic decreases in landline phone charges, greater-than-expected adoption of VoIP).
- Excellent quality of service over wireless, and significant improvements in in-building coverage (whether by technology enhancements or continued network build-out).

Table 4. US Wireless Substitution Forecast—Blue Sky

US Wireless Substitution Forecast (thousands) Blue Sky	2005 Est.	2006 Fcst	2007 Fcst	2008 Fcst	2009 Fcst
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change (%)		-2.7%	-2.7%	-2.8%	-2.3%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change (%)		7.1%	6.4%	5.2%	4.9%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Change (%)		128.3%	36.3%	35.4%	18.8%
% of Subscribers who are wireless-only	9.4%	19.9%	25.5%	32.9%	37.2%

Source: In-Stat, 9/05

Summary and Conclusions

Mobile wireless services have quickly become a viable alternative to traditional landline service for a large number of consumers in the US. While some barriers still exist to the widespread displacement of landlines by wireless phones, consumer attitudes clearly illustrate the potential for wireless substitution as the wireline subscriber base and value proposition continue to deteriorate.

In-Stat draws these conclusions:

- About **9.4%** of wireless subscribers already use a wireless phone as their primary telephone. Those who are considering substitution **are** primarily motivated by the prospect of saving money, as long as they don't have to give up much in terms of quality, reliability, or services.

- Barriers to landline replacement, particularly in-building coverage and inconvenience (such as losing a **DSL** line or the customer's phone number), **are** resolvable with other technologies or consumer education.

- Established heavy users of wireless present a ready market, however, youth will be a significant market in the near term as well. Youth, not being as accustomed to having a landline phone of their own, will find it easier to stay with their first phone than older users who have to wean themselves off a landline service.

- Carrier marketing will have a significant role in determining how many wireless subscribers choose to substitute wireless for landline. This is more a battle over perception than it is superior technology. Carriers can stimulate substitution by continuing to attract customers to advanced wireless features, and educating them as to the availability of number portability.

- Between 23.3% and 37.2% of wireless subscribers will use wireless as their primary phone by 2009. Our mid-range (most likely) estimate is 30.0% by 2009.

1.i. For each AT&T franchise area, provide: For all AT&T affiliates and subsidiaries, including legacy AT&T, legacy BellSouth, and legacy SBC, estimates of:

> i) AT&T's market share of presubscribed long distance services provided to residential customers, AT&T's market share of a local and long distance service bundle, and the elasticity of demand for AT&T's long distance services.

Response: AT&T estimates the price elasticity of demand for wireline toll to be -0.72. This measure applies to all wireline long distance (including residential and enterprise). In its reply comments to the Missoula Plan, CC Docket No. 01-92, AT&T filed an exhibit titled, Economic Benefits from Missoula Plan, Reform of Intercarrier Compensation. Attached please find AT&T's discussion of price elasticity contained in this exhibit. A complete copy of AT&T's reply comments are available at:

http://gullfoss2.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=6518724623 and

http://gullfoss2.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=6518724624

I.i. For each AT&T franchise **area,** provide: For all AT&T affiliates and subsidiaries, including legacy AT&T, legacy BellSouth, and legacy SBC, estimates of:

ii) The chum rate for consumers switching among AT&T plans, and the chum rate for consumers switching to non-AT&T long distance services.

Response: See attached

Attachment 1.i.

Table(s) Redacted in Full

1.j. For each AT&T franchise area, provide: The number of AT&T Mobility's residential mobile wireless subscribers. Additionally, provide:

i) An estimate of AT&T Mobility's share of residential mobile wireless lines.

ii) An estimate of the proportion of AT&T Mobility's residential mobile wireless subscribers that subscribe to AT&T Mobility instead of a wireline local exchange service and long distance service.

Response: See attached. As noted above in response to 1.h., AT&T has not prepared for its internal purposes an estimate of the number of residential consumers in its franchise areas who have "cut the cord" for AT&T Mobility or any other CMRS provider. Consequently, AT&T derived the attached state-wide estimates for 1.j.i. and 1.j.ii. based on information cited above in 1.h.

Attachment 1.j.

Table(s) Redacted in Full

2. For each AT&T franchise area, provide the number of retail residential wireline lines **for** which AT&T is the presubscribed interstate long distance **carrier** but not the local exchange carrier.

Response: See attached.

Attachment 2.

Table(s) Redacted in Full

3. Define each retail and wholesale business customer class to which AT&T sells domestic and international interLATA telecommunications services. List and define each domestic and international interLATA telecommunications service (*e.g.*, long distance voice, long haul traffic, private line, ATM, Frame Relay, T1, T3) that AT&T sells to each of these customer classes.

Resoonse:

The new AT&T has combined aspects of the legacy AT&T, legacy SBC, and Legacy BellSouth organizations for business customers. The process of integrating the organizations is underway, and the migration of the legacy databases into a unified system is not yet complete. Because the data requested by the Commission is for December 31,2003 through December 31, 2006, the definitions provided below correspond to the classes and products offered by pre-merger AT&T and BellSouth. Moreover, to some degree, pre-merger AT&T continued to divide customers into sales categories that were a hybrid of those used by legacy SBC and AT&T and AT&T has structured its responses accordingly.

A. Pre-Merger AT&T:

1. Retail:

AT&T Business Services ("ABS") is generally responsible for retail business customers that are global, large, or outside the legacy SBC 13-state region. They are categorized as follows:

Signature Customers: Signature customers comprise a defined list of approximately 300 business customers that are typically AT&T's largest customers and generate the highest level of revenue. There is no single criterion or revenue threshold for designation as a Signature customer, but among the criteria considered are the following: amount of customer purchases of telecommunications services and other information technology; the customer's total revenue; the cost of serving the customer; the customer's use of leading edge services (*e.g.*, call centers, managed services); the customer's global reach; and the customer's industry. Certain of legacy SBC's customers that meet the Signature customer profile are now served through the Signature channel.

Entemrise Customers: Enterprise customers are customers that do not meet the Signature customer profile, but nonetheless generate a substantial volume of telecommunications revenue. Enterprise customers are multi-region or single-region and generally have either current AT&T service billing of more than $1 million annually or at least the potential to generate more than $1 million in annual revenue. The Enterprise category, which comprises approximately 5,000 customers, includes qualifying local government customers and state government customers outside the legacy SBC 13-state region. Legacy SBC customers (typically those in legacy SBC's "Global" customer segment) that satisfy these criteria are considered ABS Enterprise customers.

Select Customers: ABS Select Customers include all remaining multi-region or single-region retail customers outside the legacy SBC 13-state region (except Federal Government, Global and Small Business Customers) that generally satisfy the following criteria: more than $18,000 in AT&T annual billing, more than 85 employees, and at least limited use of managed or data services. AT&T currently serves approximately 120,000 Select customers.

Small Business Customers: AT&T's category of Small Business customers includes all business customers that do not satisfy the criteria for any of the other groups described above, and are not Wholesale, Federal Government, or Global customers. They generally purchase the same services provided to legacy AT&T's residential customers with more use of advanced features and toll free services. These customers are generally served by UNE-P replacement, UNE-L and resale arrangements.

Global Customers: Global Customers include non-US based customers and non-US based subsidiaries of Enterprise customers.

Government Customers: These customers consist of federal government departments and agencies and include both defense/security and non-defense customers. Government customers also include foreign government embassies, missions and consulates; quasi-governmental agencies; and services provided to Government customers when AT&T is a member of a consortium or a sub-contractor.

Although AT&T has organized its sales and support resources generally according to the size and revenue of its customers – with large business customers in primarily its Signature and Enterprise segments and medium-sized business customers primarily in its Select and Enterprise segments – the types of services that AT&T provides do not always correlate strongly with a customer's size. AT&T offers and sells a wide range of voice, data and IP services to all of these business customers. Although larger customers tend to purchase more complex services more often than smaller customers, that is not always the case – some very large customers purchase very basic voice and data services and some smaller customers purchase managed services. Generally, AT&T's products fall within the broad categories of: local voice, local data, interexchange voice, interexchange data, and managed services.

Business Communications Services **("BCS")** at the most general level is responsible for small to medium retail business customers within the legacy SBC 13-state region.[3] Within BCS, there are three basic customer categories:

BCS GEM: Within the BCS organization, state and local governments, educational institutions and medical institutions are classified as "Government, Education, and Medical" (GEM) customers. These customers represent a range of sizes, revenues, industry segments and for-profit/non-profit status.

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[3] BCS also includes certain legacy SBC customers outside of SBC's 13-state region served by SBC Long Distance LLC d/b/a "AT&T Long Distance." This entity was formerly known as SBC Telecom.

BCS Select: Apart from GEM customers, legacy SBC's BCS organization divides business customers into two categories. The first is BCS Select, which includes customers expected to generate revenues of more than *$7,000* per year, have more than *50* employees, or require complex services.

BCS Valued: The BCS Valued channel includes business customers expected to spend **less** than *$7,000* on telecommunications services per year, have fewer than *50* employees, or require non-complex services.

Affiliates: For financial and accounting purposes, legacy SBC separately maintains revenue information for affiliate businesses that use telecommunications services to operate their business.

2. Wholesale:

AT&T's wholesale customers include common carriers (including long distance carriers, local exchange carriers, and wireless carriers), Internet service providers (including cable system operators), and systems integrators.

AT&T treats wholesale customers as a separate customer class from retail customers. AT&T generally tracks its wholesale sales by product, not on the basis of the size, revenue, predominant line of business or other characteristics **of** its wholesale customers.

AT&T serves more than 500 wholesale customers through its legacy AT&T wholesale channel. The majority of AT&T's sales to these wholesale customers are basic voice and data services that these customers use for the transport and termination of their customers' calls or as inputs in their own telecommunications or information services. AT&T also provides wholesale services through several legacy SBC channels. AT&T provides wholesale services within and outside of the SBC franchised territory through the SBC Long Distance ("SBCLD) channel, which provides both wholesale and retail long-haul services.

AT&T provides additional data wholesale services to ISPs both within and outside of the SBC franchised territory through its SBC Internet Services channel, which provides DSL, ATM and frame relay services.

Within AT&T's franchise area, AT&T provides wholesale services through the "Industry Markets Group." The Industry Markets Group currently divides its business by product set. The group's three product segments are Special Access, Switched Access, and Local Services (which include UNEs, both regulated and privately negotiated). Within Special Access, services to wireline and wireless carriers are generally tracked as separate categories, although the same customer may fall into both categories. Within its 13 state region, AT&T also provides wholesale services through the Advanced Solutions, Inc. ("ASI") and Ameritech Advanced Data Services ("AADS") channels, which provide wholesale and retail DSL, frame relay and ATM.

B. Pre-Mercer BellSouth:

Customer sales and marketing are principally handled by two groups at BellSouth:

Business Markets handles Large Business ("LBS") customers (as well as wholesale customers).

Retail Markets handles Small Business ("SBS") and residential customers.

As is explained below, the terms "Large Business" and "Small Business" are used by BellSouth to refer to the broad segmentation of retail business customers into those served by the Business Markets or Retail Markets groups. The term "enterprise" refers to a segment within the Large Business category at BellSouth, while the term "medium" customer is not used in the ordinary course of business within BellSouth. "Mass market" is used within the Retail Markets Group to describe its Consumer and certain Small Business segments.

Customers are designated as LBS or SBS according to the revenue the customer generates with BellSouth. Customers spending above approximately $65,000 annually are generally assigned to LBS, while lower spending customers are generally assigned to SBS. Account assignments between SBS and LBS are normally conducted at the beginning of each year. If a SBS account rises above the $65,000 level or a LBS account falls below this level during the year, the account normally retains its business unit assignment until the next round of annual reassignments. In addition, there may be certain accounts (*e.g.*, government accounts, schools, etc) that may be assigned to either LBS or SBS because of strategic decisions on how those accounts will be handled, preexisting relationships with a particular group, or other factors.

LBS: Within the Business Markets group, BellSouth has traditionally divided LBS customers into three categories: general business (less than *300* lines but total annual spending of at least $65,000, in general), major *(300-700* lines) and enterprise *(700* or more lines). Average annual customer spending with BellSouth is approximately $100,000 in the general business category, approximately $400,000 in the major category and approximately $2 million in the enterprise category.

SBS: SBS uses tiers to stratify its customer base into sales segments. These tiers are based on spending with BellSouth that includes local, long distance, data and Internet access revenue. Assignment to a given tier will also take into account the customer's product complexity, as some tiers are not equipped to handle complex products. There are seven tiers within SBS with monthly spending as follows:

Tier	Monthly Revenue
1	>$3,333/mo
	$833-3,332
3	$567-$832
	$375-$566
	$146-374
6	$1-145
0	<$0

The retail services included within the retail service categories employed by BellSouth differ among different marketing groups within BellSouth.

SBS/LBS Services. The following services are included within the product classes utilized by BellSouth's LBS and SBS groups:

• Local voice is composed of all access line products, including PBX trunks, Centrex and IFBs, as well as all ancillary services attached to a line, such as voice mail, call forwarding, etc. The following product groups are included in local voice:

Lines - Flat Rate
Lines – Usage
Lines – Other
Packages
Centrex
DID Trunks
PBX Trunks
Vertical Services
Memory Call
Miscellaneous Voice
Miscellaneous Other

• Local data includes the following product groups:
PRI ISDN
BRI ISDN
Synchronet
Frame Relay
ATM
MegaLink (DSI)
Video
Video Conferencing Service
Lightgate
SMARTRing